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China International Development Corporation Limited
中聯發展控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 264)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Board (the "**Board**") of Directors (the "**Directors**") of China International Development Corporation Limited (formerly known as Ascent International Holdings Limited) (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2020, together with the comparative figures for 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**16,445**	26,816
Cost of sales		**(12,225)**	(14,017)
Gross profit		**4,220**	12,799
Other income and gains		**815**	263
Selling and distribution costs		**(1,290)**	(5,683)
Administrative and other operating expenses		**(10,539)**	(17,246)
Finance costs		**(172)**	(289)

	Notes	Six months ended 30 June **2020** **Unaudited** ***HK$'000***	 2019 Unaudited *HK$'000*
Loss before income tax	*6*	**(6,966)**	(10,156)
Income tax	*7*	**—**	(2)
Loss for the period attributable to owners of the Company		**(6,966)**	(10,158)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
— Exchange differences arising on translation of financial statements of operations outside Hong Kong		**(657)**	344
Other comprehensive income for the period		**(657)**	344
Total comprehensive income for the period attributable to owners of the Company		**(7,623)**	(9,814)
Loss per share attributable to owners of the Company			
— Basic and diluted	*9*	**HK(1.82) cents**	HK(2.65) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**As at 30 June 2020 Unaudited *HK$'000***	As at 31 December 2019 Audited *HK$'000*
Non-current assets			
Property, plant and equipment		**241**	307
Deposits paid		**1,198**	1,198
Right-of-use assets		**3,766**	4,241
		5,205	5,746
Current assets			
Inventories		**11,389**	13,301
Trade receivables	*10*	**5,222**	11,643
Other receivables, deposits and prepayments		**2,723**	2,209
Amount due from former fellow subsidiaries		**8**	8
Tax recoverable		**485**	265
Bank balances and cash		**12,330**	15,470
		32,157	42,896

	Notes	As at 30 June 2020 Unaudited HK$'000	As at 31 December 2019 Audited HK$'000
Current liabilities			
Trade payables	*11*	**1,432**	2,963
Other payables and accrued charges		**5,364**	7,105
Amount due to a related party		**950**	—
Amounts due to former fellow subsidiaries		**8,171**	8,171
Amount due to a former intermediate holding company		**5,590**	5,590
Amount due to a director		**8,263**	8,000
Lease liabilities		**5,070**	5,781
		34,840	37,610
Net current (liabilities)/assets		**(2,683)**	5,286
Total assets less current liabilities		**2,522**	11,032
Non-Current liabilities			
Lease liabilities		**640**	1,527
Net assets		**1,882**	9,505
Capital and reserves attributable to owners of the Company			
Share capital		**3,827**	3,827
Reserves		**(1,945)**	5,678
Total equity		**1,882**	9,505

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

China International Development Corporation Limited (formerly known as Ascent International Holdings Limited) (the "**Company**") was incorporated in the Cayman Islands on 12 April 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Group, comprising the Company and its subsidiaries, is principally engaged in manufacturing and distribution of leather products and retail of fashion apparel, footwear and leather accessories. The Group has undertaken plans to develop the businesses of industrial hemp planting and hemp fabric products production in the PRC.

As at 30 June 2020, the directors (the "**Director(s)**") of the Company consider the Company's immediate and ultimate holding company was Waterfront Holding Group Co., Ltd. ("**Waterfront**"), a company incorporated in the British Virgin Islands (the "**BVI**").

The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the interim financial report.

The unaudited condensed interim consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company. The unaudited condensed interim consolidated financial statements, which have not been audited, have been approved and authorised for issue by the board (the "**Board**") of Directors on 28 August 2020.

2. BASIS OF PREPARATION

(a) Statement of compliance

The unaudited condensed interim consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The preparation of the unaudited condensed interim consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited condensed interim consolidated financial statements contains condensed interim consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the consolidated financial statements for the year ended 31 December 2019 (the "**2019 Annual Financial Statements**"). The unaudited condensed interim consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), and should be read in conjunction with the 2019 Annual Financial Statements.

(b) Basis of measurement

These unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis.

(c) Going concern basis

The Group has recorded a loss of approximately HK$6,966,000 for the six months ended 30 June 2020 and its net current liabilities amounted to approximately HK$2,683,000 as at 30 June 2020. In addition, included in the current liabilities were amounts due to former fellow subsidiaries and a former intermediate holding company of approximately HK$8,171,000 and HK$5,590,000, respectively as at 30 June 2020, which are all due for repayment while the Group only maintained bank balances and cash of approximately HK$12,330,000 as at that date. Furthermore, the worldwide outbreak of COVID-19 pandemic since January 2020 as mentioned in note 18 to the unaudited condensed consolidated interim financial statements gives rise to increasing uncertainties to the global economy and therefore the Group's financial performance and position. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of the above circumstances, the Directors have prepared a cash flow forecast of the Group covering a period up to 31 December 2021 (the "**Forecasted Period**") and are satisfied that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within 18 months from 30 June 2020 after taking into account of the following:

(i) The Group will undertake certain measures to reduce operating expenses so as to reduce the Group's operating loss during the Forecasted Period;

(ii) The Company obtained a letter of undertaking from Mr. Qin Bohan, a director of the Company, that he would not demand repayment of the amount due to him of HK$8 million as at 30 June 2020 until the Company has excess cash to repay such amount and in any case, the repayment date is no earlier than 31 December 2021;

(iii) The Company and Mr. Zhao Jingfei ("**Mr. Zhao**", a director and a controlling shareholder of the Company) entered into a shareholder's loan agreement on 27 May 2020, pursuant to which (i) Mr. Zhao will grant an interest-free and unsecured loan facility up to HK$20 million for a term of two years; (ii) drawdown of the loan is conditional upon Mr. Zhao's instructing bank(s) being satisfied that Mr. Zhao has duly instructed and authorised the relevant fund transfer; and (iii) the Company may utilise such loan facility at any time to repay the outstanding amounts due to former fellow subsidiaries and a former intermediate holding company or as working capital; and

(iv) As announced on 16 June 2020, the Group has undertaken plans to diversify the business of industrial hemp planting and hemp fabric product production. Since then, the Group has obtained the permit to plant industrial hemp and rented a parcel of land in Yunnan for the trial cultivation of industrial hemp in June 2020. The Group is in the process of designing the hemp fabric products for launching in the first quarter of 2021. The Board considers that the business plan, if materialized, could diversify the Group's product portfolio and income streams, thereby improving its profitability in the long term.

There is a material uncertainty related to the outcomes of the above events or conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the use of the going concern basis in preparation of the unaudited condensed interim consolidated financial statements be considered to be inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities. The effect of these adjustments have not been reflected in the unaudited condensed interim consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements has been prepared in accordance with the same accounting policies adopted in the 2019 Annual Financial Statements, except for the accounting policy changes that are required to be adopted in the financial statements for the year ending 31 December 2020. Details of these changes in accounting policies are set out below.

3.1 New and amended standards adopted by the Group

The Group has adopted the following new and revised HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these condensed unaudited consolidated interim financial statement.

HKAS1 and HKAS 8 (Amendment)	Definition of Material
HKFRS 3 (Amendment)	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

Except as described below, the Group concluded that the application of the Amendments to Reference to the Conceptual Framework in HKFRS and the amendments to HKFRSs in the current period has had no material impact on the amounts reported and/or disclosures set out in these condensed unaudited consolidated interim financial statements.

Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on these condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3.2 New standards and amendments to standards issued but not yet effective for the accounting period beginning on 1 January 2020 and not early adopted by the Group

		Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Conceptual Framework for Financial Reporting	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
HKFRS 17	Insurance contracts	1 January 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment on the impact of these new standards and amendments to standards and preliminary results showed that their application are not expected to have material impact on the financial performance and the financial position of the Group.

4. ESTIMATES

The preparation of the unaudited condensed interim consolidated financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets and liabilities, income and expense that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing the unaudited condensed interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2019 Annual Financial Statements.

5. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are manufacturing and distribution of leather products, retail of fashion apparel, footwear and leather accessories.

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker (the "**CODM**") that are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Manufacturing business	—	Manufacturing and distribution of leather products
Retail business	—	Retail of fashion apparel, footwear and leather accessories

As announced on 16 June 2020, the Group has undertaken plans to diversify the businesses of industrial hemp planting and hemp fabric product production. During the six months ended 30 June 2020, the businesses of industrial hemp planting and hemp fabric product production are in the preparation stage. No revenue generated during the period and the relevant cost and liabilities are not significant to the financial position or performance of the Group.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' result that is used by the CODM for assessment of segment performance.

	Manufacturing business Six months ended 30 June		**Retail business Six months ended 30 June**		**Total Six months ended 30 June**	
	2020	2019	**2020**	2019	**2020**	2019
	Unaudited	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**14,667**	19,379	**1,778**	7,437	**16,445**	26,816
Inter-segment revenue	**—**	1,917	**207**	—	**207**	1,917
Reportable segment revenue *(Note (i))*	**14,667**	21,296	**1,985**	7,437	**16,652**	28,733
Reportable segment loss	**(3,631)**	(1,138)	**(673)**	(1,447)	**(4,304)**	(2,585)
Interest income					**39**	161
Unallocated corporate expenses *(Note (ii))*					**(2,701)**	(7,732)
Loss before income tax					**(6,966)**	(10,156)
Income tax					**—**	(2)
Loss for the period					**(6,966)**	(10,158)

	Manufacturing business		Retail business		Total	
	As at 30 June 2020	As at 31 December 2019	**As at 30 June 2020**	As at 31 December 2019	**As at 30 June 2020**	As at 31 December 2019
	Unaudited	Audited	**Unaudited**	Audited	**Unaudited**	Audited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets	**30,585**	40,964	**3,997**	5,220	**34,582**	46,184
Tax recoverable					**485**	265
Unallocated corporate bank balances and cash					**897**	1,224
Other unallocated corporate assets					**1,398**	969
Consolidated total assets					**37,362**	48,642
Reportable segment liabilities	**8,748**	11,177	**2,322**	3,825	**11,070**	15,002
Amounts due to a related party					**950**	—
Amounts due to former fellow subsidiaries					**8,171**	8,171
Amount due to a former intermediate holding company					**5,590**	5,590
Amount due to a director					**8,263**	8,000
Unallocated corporate liabilities *(Note (iii))*					**1,436**	2,374
Consolidated total liabilities					**35,480**	39,137

Notes:

(i) Revenue from manufacturing business and retail business is recognised at a point in time when the control of the products has been passed to customers.

(ii) The amount represented unallocated corporate expenses that are not allocated to operating segments, including professional fees, directors' emoluments, employee costs, foreign exchange loss and other head office expenses.

(iii) The amount represented unallocated deposits received and accrued head office professional fees and staff costs.

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after (crediting)/charging:

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Cost of inventories recognised as expenses	**12,225**	14,017
Depreciation of property, plant and equipment	**66**	216
Depreciation of right-of-use assets	**2,007**	2,508
Foreign exchange (gains)/loss, net	**(227)**	270
Short term lease expenses	**661**	2,322
Staff costs (excluding Directors' emoluments)	**6,255**	15,124
Reversal of impairment loss on trade receivables, net	**—**	(16)
Reversal of write-down of inventories, net (included in cost of sales)	**—**	(515)
Interest income	**(39)**	(161)

7. INCOME TAX

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Current taxation:		
— The PRC enterprise income tax	**—**	2

No provision for Hong Kong profits tax has been made as the Group has sustained estimated tax losses for both periods.

The PRC enterprise income tax rate for the Company's subsidiaries in the PRC is 25% (six months ended 30 June 2019: 25%).

In February 2018, the Hong Kong Inland Revenue Department (the "**IRD**") initiated a tax audit on certain subsidiaries of the Company. As any claims in respect of the year of assessment 2011/12 would be statutorily time-barred after 31 March 2018, the IRD has issued assessment/additional assessments amounting to HK$648,000 to these subsidiaries to keep the year of assessment 2011/12 open for review. Objection against this assessment/additional assessment has been duly lodged by the Company and no additional payment is required to be made by the Company up to 30 June 2020.

In March 2019, the IRD issued additional assessments amounting to HK$485,000 to these subsidiaries for the year of assessment 2012/13. Objection against these additional assessments has been duly lodged by the subsidiaries and no additional payment is required to be made by the subsidiaries up to 30 June 2020.

In January 2020, the IRD issued additional assessments amounting to HK$465,000 to these subsidiaries for the year of assessment 2013/14. Objection against these additional assessments has been duly lodged by the subsidiaries by February 2020 and a tax reserve certificate of HK$155,000 for conditional holdover order of objection against these additional assessments was purchased by the Group in April 2020.

Up to the date of approval of the unaudited condensed interim consolidated financial statements, tax audit commenced by the IRD was at a preliminary stage pending fact-finding with different views to be exchanged with the IRD, and the outcome of the tax audit cannot be readily ascertained with reasonable certainty. Nevertheless, management has performed an assessment based on existing facts and circumstances, and considers that the aforementioned subsidiaries have properly prepared and filed their Hong Kong Profits Tax returns in prior years. Therefore, no additional provision of Hong Kong Profits Tax is required to be made in the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2020 in respect of prior years. Management have already sought assistance from tax specialists in handling the tax audit.

8. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 and 30 June 2019.

9. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss for the period of HK$6,966,000 (six months ended 30 June 2019: HK$10,158,000) attributable to owners of the Company and the weighted average number of 382,704,000 (six months ended 30 June 2019: 382,704,000) ordinary shares in issue during the six months ended 30 June 2020.

For the six months ended 30 June 2020 and 30 June 2019, diluted loss per share is equal to the basic loss per share for the respective periods as there is no potential dilutive ordinary share in issue for the six months ended 30 June 2020 and 30 June 2019.

10. TRADE RECEIVABLES

	As at 30 June 2020 Unaudited ***HK$'000***	As at 31 December 2019 Audited *HK$'000*
Trade receivables	**6,169**	12,590
Less: allowance for impairment loss	**(947)**	(947)
	5,222	11,643

No credit term is granted to customers from the Group's retail business. Customers in the manufacturing segment are generally granted with credit terms of 30 to 90 days from the date of billing. The ageing analysis of trade receivables based on invoice date (net of impairment loss) at the end of reporting period is as follows:

	As at 30 June 2020 Unaudited ***HK$'000***	As at 31 December 2019 Audited *HK$'000*
Less than 30 days	**544**	1,294
31–60 days	**1,870**	8,909
61–90 days	**2,069**	937
91–120 days	**3**	288
121–365 days	**512**	95
More than 365 days	**224**	120
	5,222	11,643

The carrying amounts of trade receivables approximated to their fair values.

11. TRADE PAYABLES

Details of the ageing analysis based on invoice date at the end of reporting period are as follows:

	As at 30 June 2020 Unaudited *HK$'000*	As at 31 December 2019 Audited *HK$'000*
Less than 30 days	**876**	939
31–60 days	**178**	1,239
61–90 days	**56**	147
91–120 days	**6**	—
121–365 days	**—**	202
More than 365 days	**316**	436
	1,432	2,963

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE REVIEW

For the six months ended 30 June 2020, the Group's revenue decreased by approximately 38.7% from approximately HK$26,816,000 for the six months ended 30 June 2019 to approximately HK$16,445,000. Gross profit decreased by approximately 67.0% from approximately HK$12,799,000 for the six months ended 30 June 2019 to approximately HK$4,220,000 for the six months ended 30 June 2020. The gross profit margin of the Group decreased from approximately 47.7% for the six months ended 30 June 2019 to approximately 25.7% for the six months ended 30 June 2020. The decrease is mainly due to the impact of the outbreak of COVID-19 on the global business environment and the significant shrinkage in the Group's retail business which historically generated higher gross profit margin.

Other income and gains increased by 209.9% from approximately HK$263,000 for the six months ended 30 June 2019 to approximately HK$815,000 for the six months ended 30 June 2020. The increase was mainly attributable to the government subsidies in relation to the outbreak of COVID-19 pandemic amounted to approximately HK$240,000.

Selling and distribution costs decreased by approximately 77.3% from approximately HK$5,683,000 for the six months ended 30 June 2019 to approximately HK$1,290,000 for the six months ended 30 June 2020, which was in line with the decrease in revenue for the corresponding period. The decrease was primarily due to less marketing activities being engaged as a result of the significant shrinkage in the Group's retail business during the six months ended 30 June 2020.

Administrative and other operating expenses decreased by approximately 38.9% from approximately HK$17,246,000 for the six months ended 30 June 2019 to approximately HK$10,539,000 for the six months ended 30 June 2020. This is mainly due to the significant decrease in professional fees of approximately HK$5,016,000 for the six months ended 30 June 2019 to approximately HK$653,000 for the six months ended 30 June 2020.

As a result of the above, the Group recorded a net loss attributable to owners of the Company of approximately HK$6,966,000 for the six months ended 30 June 2020 (2019: approximately HK$10,158,000). Loss per share for the six months ended 30 June 2020 was HK1.82 cents (2019: HK2.65 cents).

BUSINESS REVIEW

During the six months ended 30 June 2020, the manufacturing and retail business segments accounted for approximately 89.2% (2019: approximately 72.3%) and approximately 10.8% (2019: approximately 27.7%) of the total revenue of the Group, respectively.

Manufacturing Business

For the six months ended 30 June 2020, the Group's revenue from its manufacturing business from external customers reduced by 24.3% from approximately HK$19,379,000 for the six months ended 30 June 2019 to approximately HK$14,667,000. This was mainly due to the outbreak of the COVID-19 pandemic during the six months ended June 2020, which led to the decrease in demand from Hong Kong, the PRC and overseas markets, the temporary closure of the Group's factories in the PRC and the logistics restrictions imposed worldwide.

Revenue analysis by geographic location:

	Six months ended 30 June			
	2020		2019	
	Unaudited		Unaudited	
	HK$'000	*%*	*HK$'000*	*%*
United States	**7,423**	**50.6**	9,833	50.8
Europe	**3,282**	**22.4**	3,899	20.1
Hong Kong	**436**	**3.0**	1,481	7.6
PRC	**40**	**0.3**	788	4.1
Others	**3,486**	**23.7**	3,378	17.4
	14,667	**100**	19,379	100

Revenue analysis by product category:

	Six months ended 30 June			
	2020		2019	
	Unaudited		Unaudited	
	HK$'000	*%*	*HK$'000*	*%*
Belts	**13,948**	**95.0**	17,861	92.2
Leather goods & other accessories	**719**	**5.0**	1,518	7.8
	14,667	**100**	19,379	100

In view of the weakened demand and the less favourable operating environment, despite the Group's effort to streamline human resources and reduce other overhead costs, the Group's manufacturing business segment recorded an operating loss of approximately HK$3,631,000 for the six months ended 30 June 2020, representing an increase of approximately 219.1% from approximately HK$1,138,000 operating loss for the six months ended 30 June 2019.

Retail Business

The Group's revenue from its retail business decreased by approximately 76.1% from approximately HK$7,437,000 for the six months ended 30 June 2019 to approximately HK$1,778,000 for the six months ended 30 June 2020. The Group's in-house brand sales recorded a year-on-year decrease of approximately 75.5% and it accounted for approximately 91.5% of total retail sales for the six months ended 30 June 2020 as compared to approximately 89.5% during the six months ended 30 June 2019. The decrease was mainly due to heightened competition from rivals and online sales and the weakened retail market due to the impact of the COVID-19 pandemic in Hong Kong during the six months ended 30 June 2020.

The overall shop rental to revenue ratio of approximately 61.0% for the six months ended 30 June 2020 increased significantly as compared with that of approximately 33.0% for six months ended 30 June 2019. The staff costs to revenue ratio increased to approximately 63.4% for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately 27.7%).

During the six months ended 30 June 2020, the Group continued to restructure its retail shop portfolio and further closed some non-performing retail shops. As at 30 June 2020, the Group operated two AREA 0264 stores and one Teepee Leather workshop in Hong Kong (as at 31 December 2019: four AREA 0264 stores and one Teepee Leather workshop).

As a result of the above, the Group's retail business segment recorded an operating loss of approximately HK$673,000 for the six months ended 30 June 2020 (2019: approximately HK$1,447,000).

Prospect

Since January 2020, the outbreak of the COVID-19 pandemic has severally impacted the global economy and has led to temporary suspension of businesses, accelerating the uncertainty and volatility in financial markets. In addition, tensions between the United States and China are flaring over the COVID-19 pandemic, which in turn continues to negatively affect the global economy, together with turmoil of Hong Kong society in recent years, these events have brought uncertainty to the Groups' business, in particular the export of the Group's leather products to the United States and Europe and the retail business of the Group.

Despite the uncertain outlook, the Group will continue to pay close attention to the situation of the COVID-19 pandemic and react proactively to its impact on the financial position and operating results of the Group. The Group will take the opportunities to strive for a breakthrough in this challenging time. The Group will continue to, while mitigating economic and external business risks, study the feasibility of related business opportunities of the Group with the expectation of capitalising on China's economic growth in the future.

The Group will focus on improving the production efficiency within the factory in order to achieve its optimal production level.

The Group will continue to restructure its existing stores portfolio and enhance the shopping experience of customers. On the other hand, the Group will continue to develop its e-commerce channel in order to tap into the fast-growing online market.

Furthermore, as announced on 16 June 2020, the Group has undertaken plans to diversify into the businesses of industrial hemp planting and hemp fabric product production (the "**Business Plan**"). Hemp fabric is made of fibres from industrial hemp, and is a type of textile which is antibacterial, strong and versatile, and fill in as a characteristic environment-adjusting framework that makes it desirable for both summer and winter.

The Group has obtained the relevant permit to plant industrial hemp and rented a parcel of land in Yunnan for the trial cultivation of industrial hemp. The Group has also secured the provision of the industrial hemp seeds of Yunma No. 7* (雲麻7號) from the Institute of Economic Crops of the Yunnan Academy of Agricultural Science* (雲南省農業科學院經濟作物研究所). The Group has engaged an independent third-party consultant to advise on technical issues of industrial hemp planting and an independent manufacturer to manufacture hemp fabric.

The Board considers that the Business Plan, if materialized, could diversify the Group's product portfolio and income streams, thereby improving its profitability in the long term.

The Group will concurrently review its business strategic directions and operations with a vision to further mitigate loss and to maximize its shareholders' value.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2020, the Group's cash and bank deposits were approximately HK$12,330,000 as compared to approximately HK$15,470,000 as at 31 December 2019.

The Group recorded total current assets of approximately HK$32,157,000 as at 30 June 2020 (31 December 2019: approximately HK$42,896,000) and total current liabilities of approximately HK$34,840,000 as at 30 June 2020 (31 December 2019: approximately HK$37,610,000). The decrease in total current assets was mainly due to the decrease in trade receivables and cash and bank deposits. The current ratio of the Group, calculated by dividing the total current assets by the total current liabilities, was approximately 0.92 times as at 30 June 2020 (31 December 2019: approximately 1.14 times).

The Group recorded total inventories of approximately HK$11,389,000 as at 30 June 2020 (31 December 2019: approximately HK$13,301,000) and the inventory turnover days increased from 150 days to 170 days in view of the unsatisfactory sales demand amidst the COVID-19 pandemic.

The Group had trade receivables of approximately HK$5,222,000 as at 30 June 2020 (31 December 2019: approximately HK$11,643,000) and the debtor turnover days decreased from 69 days to 58 days due to the effective control on the debt collection.

The Group recorded shareholders' equity of approximately HK$1,882,000 as at 30 June 2020 (31 December 2019: approximately HK$9,505,000). The reduction was mainly attributable to the Group's operational loss during the six months ended 30 June 2020.

As detailed in note 2(c) to the unaudited condensed interim consolidated financial statements for the six months ended 30 June 2020, the Company (i) obtained a letter of undertaking from Mr. Qin Bohan, a director of the Company, that he would not demand repayment of the amount due to him of HK$8 million as at 30 June 2020 until the Company has excess cash to repay such amount and in any case, the repayment date is no earlier than 31 December 2021; and (ii) entered into a shareholder's loan agreement with Mr. Zhao Jing Fei ("**Mr. Zhao**", a director and a controlling shareholder of the Company) on 27 May 2020 in respect of an interest-free and unsecured loan facility up to HK$20 million for a term of two years, which is available to the Group to repay the outstanding amounts due to former fellow subsidiaries and a former intermediate holding company or as working capital.

As at 30 June 2020, the loan facility from Mr. Zhao has not yet been utilized because of the continuous outbreak of the COVID-19 pandemic and the lockdown measures taken by the governments, Mr. Zhao was still unable to effect the necessary authorisation procedure in respect of the relevant fund transfer as per the bank's request.

The Group did not have any bank borrowings or bank facilities as at 30 June 2020 (31 December 2019: nil)

The gearing ratio, representing the Group's total interest-bearing borrowings divided by its total equity, at 30 June 2020 was nil (31 December 2019: nil) as the Group had no interest-bearing borrowings as at 30 June 2020 (31 December 2019: nil).

TREASURY POLICY

The Group generally finances its operation with internally generated resources. Cash and bank deposits of the Group are mainly denominated in HK$, United States dollars ("**USD**") and RMB. Transactions of the Group are mainly denominated in HK$, USD and RMB. As HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rate. In this regard, the Group is not exposed to significant currency risk arising from USD. The fluctuations in the RMB's value against other currencies will create foreign currency translation gains or losses and may have an adverse effect on the Group's business, financial condition and results. Any imposition, variation or removal of foreign exchange controls may adversely affect the value, translated or converted into HK$ or USD, of our Group's net assets and earnings. The Group currently does not have any foreign currency hedging policy. However, the management of the Company will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CHARGES OF ASSETS

The Group did not have any charges on assets as at 30 June 2020 (31 December 2019: nil).

SIGNIFICANT INVESTMENTS

The Group did not have any significant investment during the six months ended 30 June 2020.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not conduct any significant acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2020.

HUMAN RESOURCES

As at 30 June 2020, the Group employed 156 employees (31 December 2019: 165). The salaries of employees largely depend on their job nature, performance and length of service with the Group. The Directors' remuneration is determined with reference to salaries paid by comparable companies, experience, responsibilities and performance of the Group. Discretionary bonuses are also available to the Group's employees depending on the overall performance of the Group. In addition to the basic remuneration, the Group also provides employees with employees benefits, including pension, medical scheme and other applicable social insurance as required by the applicable laws and regulations. Apart from regular on-job training, the Group provides training to new employees including an introduction to relevant regulations and general safety awareness and a workshop specific training to the work area and the role of individual within the workshop.

DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

COMMITMENTS

The Group had no significant contracted capital commitments as at 30 June 2020 (31 December 2019: nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code (the "**Model Code**") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to The Rules Governing the Listing of Securities (the "**Listing Rules**") as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 June 2020.

EVENT AFTER THE REPORTING PERIOD

Since January 2020, the outbreak of the COVID-19 pandemic has impacted the global business environment. Up to the date of this announcement, the COVID-19 pandemic has caused disruption to the Group's businesses. Depending on the development and spread of the COVID-19 pandemic subsequent to the date of this report, further changes in economic conditions for the Group arising thereof may have an impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement. The Group will continue to pay close attention to the situation of the COVID-19 pandemic and react proactively to mitigate its impact on the financial position and operating results of the Group.

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and code provisions (the "**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules. The Company has complied with the Code Provisions as set out in the CG Code during the six months ended 30 June 2020 except the following deviation.

Under the code provision C.2.5 of the CG Code, the Group should have an internal audit function. The Company did not perform the internal audit function for the six months ended 30 June 2020. The Board is aware of the importance of internal audit function and based on the size and simple operating structure of the Group as well as the existing internal control processes, the Board has decided not to set up an internal audit department for the time being. Instead, the Company will engage an independent third party to carry out internal audit function annually. When necessary, the Audit Committee of the Company would carry out internal audit function for reviewing the adequacy and effectiveness of the risk management and internal control systems of the Group.

The Company will periodically review its corporate governance practices to ensure its continuous compliance with the CG Code.

NON-COMPLIANCE WITH FINANCIAL REPORTING REQUIREMENTS OF THE LISTING RULES

Due to the travel restriction in force in the PRC to combat the outbreak of COVID-19, the audit of the consolidated financial statements of the Group for the year ended 31 December 2019 was affected. The Company was unable to publish the audited annual results for the year ended 31 December 2019 on or before 31 March 2020 as required by the Listing Rules. Such delay constituted non-compliance with Rule 13.49 of the Listing Rules. However, in accordance with the further guidance on the joint statement in relation to results announcements in light of the COVID-19 pandemic released on 16 March 2020 ("**Further Guidance**") by the Securities and Futures Commission and the Stock Exchange, if by 31 March 2020 an issuer is able to publish a preliminary results announcement without agreement with its auditors, or its management accounts, then the Stock Exchange will normally not suspend trading in its securities. As such, the Company published its unaudited annual results announcement for the year ended 31 December 2019 without agreement by its auditors pursuant to the Further Guidance on 31 March 2020 and subsequently published the audited annual results announcement for the year ended 31 December 2019 agreed by the Company's auditors on 11 May 2020.

AUDIT COMMITTEE

The Company has established an audit committee of the Company (the "**Audit Committee**") with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, internal controls and risk management systems of the Group. As at 30 June 2020, the Audit Committee comprised three independent non-executive Directors, Ms. Han Yu (Chairlady), Mr. Jia Lixin and Mr. Rong Yi. The Audit Committee has reviewed and discussed with management in relation to financial reporting matters, including but not limited to the unaudited condensed consolidated interim financial statements and the unaudited results of the Group for the six months ended 30 June 2020.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Company (http://www.irasia.com/listco/hk/cidc/index.htm) and the Stock Exchange (www.hkex.com.hk). An interim report for the six months ended 30 June 2020 containing all the information required by the Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

By order of the Board
China International Development Corporation Limited
Zhao Jingfei
Chairman and Executive Director

Hong Kong, 28 August 2020

As at the date of this announcement, the executive Directors are Mr. Zhao Jingfei, Mr. Fan Xin and Mr. Qin Bohan; and the independent non-executive Directors are Ms. Han Yu, Ms. Jia Lixin and Mr. Rong Yi.